TAX FLASH

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MOORE Advent

LEGEND

ACA	Accelerated Capital Allowance
DGIR	Director General of Inland Revenue
DGCE	Director General of Customs and Excise
CA	Capital Allowance
CA 2016	Companies Act 2016
CGT	Capital Gains Tax
FAQ	Frequently Asked Questions
IBA	Industrial Building Allowance
ICT	Information and Communication Technology
IRB	Inland Revenue Board
ITA 1967	Income Tax Act 1967
LBATA 1990	Labuan Business Activity Tax Act 1990
LLP	Limited Liability Partnership
MIDA	Malaysian Investment Development Authority
MITI	Ministry of Investment, Trade and Industry
MOF	Ministry of Finance
MOTAC	Ministry of Tourism, Arts and Culture
MSME	Micro, Small and Medium Enterprise
PIA 1986	Promotion of Investments Act 1986
PR	Public Ruling
RA	Reinvestment Allowance
RMCD	Royal Malaysian Customs Department
RPGT	Real Property Gains Tax
RPGT Act 1976	Real Property Gains Tax Act 1976
SA 1949	Stamp Act 1949
SC	Securities Commission
TP	Transfer Pricing
WT	Withholding Tax
YA	Year of Assessment

Tax Deduction for Hoteliers on Expenditure Incurred on Malaysian-Made Handicraft Products

Following the Budget 2023 (Retabled) announcement, the *Income Tax (Deduction for Expenditure in Relation to Purchase of Handicraft Product) Rules 2026* has been gazetted to provide a special tax deduction to qualifying hotel companies that purchase Malaysian-made handicraft products for use in their hotel premises.

The salient points of the above Rules include:-

- A special tax deduction is available to a company incorporated under the CA 2016 and resident in Malaysia that carries on a hotel business, and the hotel is registered under the Tourism Industry Act 1992 and has been rated as one (1) star to five (5) stars.

- A deduction equivalent to the qualifying expenditure incurred on the purchase of Malaysian made handicraft products for use in the company's hotel premises is available, subject to a maximum deduction of RM150,000 for each year of assessment.

- The handicraft products must be purchased from a person registered with the *Perbadanan Kemajuan Kraftangan Malaysia* and the purchased must be made between 1st January 2023 and 31st December 2025.

- Qualifying handicraft products include hand-woven *songket* decorative products, pottery decorative products, ceramic-based crockery products, screwpine based decorative products, batik decorative products, wood or bamboo based decorative products (excluding furniture) and pewter decorative products.

- Qualifying expenditure does not include expenditure incurred on designer fees, professional fees and the purchase of collectible antiques.

- Any qualifying expenditure exceeding RM150,000 in a year of assessment cannot be carried forward and deducted in subsequent years of assessment.

- The above Rules are deemed to have effect from 1st January 2023.

Tax Incentive for Principal Hub 2.0 – New Companies

Under the Income Tax (Exemption) (No. 3) Order 2023, new companies applying for the Principal Hub ["PH"] 2.0 tax incentive were classified into Category 1 and Category 2 under Schedule 2 of the said Order, with each category subject to prescribed qualifying conditions.

Prior to the amendment, the categories were differentiated based on the following types of new companies:-

- Category 1 – a new company that does not have an existing entity or related entity in Malaysia which carries on any PH qualifying services in Malaysia;
- Category 2 – a new company that has an existing entity or related entity in Malaysia which has not carried on any PH qualifying services in Malaysia.

The *Income Tax (Exemption) (No. 3) 2023 (Amendment) Order 2026* has been gazetted to remove the references to "new company" in the Category 1 or Category 2 in Schedule 2.

Accordingly, the eligibility for Category 1 or Category 2 is no longer determined by the type of new company. Instead, the applicable incentive category will depend on whether the company satisfies the prescribed qualifying conditions under the relevant category, including the minimum amount of annual operating expenditure and minimum employment requirements.

The above Amendment Order shall have effect from the YA 2025.

Note: *For further details on the Income Tax (Exemption) (No. 3) order 2023, kindly refer to our Tax Flash – September 2023 issue.*

Tax Incentives Relating to Tun Razak Exchange

The *Income Tax (ACA) (Tun Razak Exchange Marquee Status Company) (Amendment) Rules 2026* and *Income Tax (IBA) (Tun Razak Exchange Marquee Status Company) (Amendment) Rules 2026* have been gazetted to further extend the incentives for ACA and IBA for Tun Razak Exchange ["TRX"] Marquee status companies.

The salient updates of the above Amendment Rules include:-

i. ACA

- ACA is granted to a TRX Marquee status company in respect of the prescribed renovation costs incurred on a building or part of a building located in the TRX and used for the purpose of its business.

- The ACA amendment Rules have been gazetted to further extend the qualifying period for renovation costs incurred by 5 years, i.e. from 31st December 2025 to 31st December 2030.

- The ACA amendment Rules are deemed to have effect from 1st January 2026.

ii. IBA

- A commercial building located in the TRX which is constructed or purchased by a TRX Marquee status company and used for the purpose of its business shall be treated as an industrial building and qualifies for IBA of 10% annually on the qualifying expenditure.

- The IBA amendment Rules have been gazetted to further extend the qualifying period for building expenditure incurred by 5 years, i.e. from 31st December 2025 to 31st December 2030.

- The IBA amendment Rules are deemed to have effect from the YA 2014.

Note: *For further details, kindly refer to our Tax Flash – February 2022 issue.*

Tax Incentive for Women Returning to Workforce After Career Break

Following the Budget 2024 announcement, the *Income Tax (Income of Approved Individual) (Women Returning to Work After Ceasing from Employment Temporarily) (Exemption) Order 2026* has been gazetted to extend the income tax exemption on the gross employment income of eligible women returning to work after temporarily ceasing employment.

The salient points of the above Order include:-

i. Approved Individual

The exemption is available to an approved individual, being a Malaysian citizen and tax resident woman who satisfies all the following conditions:

- Has ceased employment and has not derived any employment income for a consecutive period of at least 24 months on or after 28th October 2017;
- Has at least 3 years of full-time employment experience before ceasing employment and has not exceeded the age of 58 years on the date of the application is made;
- Has signed a full-time employment contract in Malaysia with an employer for a period of at least 24 months between 1st January 2023 to 31st December 2028; and
- Has worked for at least 12 consecutive months and received a minimum gross monthly employment income of RM5,000.

ii. Income Tax Exemption

The exemption is granted as follows:-

- For a period not exceeding 12 consecutive months which commences from the basis period of the year of assessment elected by the approved individual, provided the election is made in the year of assessment in which the application is received or the following year of assessment.
- Not available to an approved individual who has previously been granted an exemption under the Income Tax (Exemption) (No. 9) Order 2019.

iii. Application

- Applications for the exemption must be made to the Minister through Talent Corporation Malaysia Berhad ["Talent Corp"] from 1st January 2024 to 31st December 2027 and comply with all conditions and compliance with the conditions must be verified by Talent Corp.

iv. Effective Period

- The above Order shall have effect from the YA 2024 to YA 2028.

Note: *For further details, kindly refer to our Tax Flash – September 2019 issue for our earlier commentary on Income Tax (Exemption)(No. 9) Order 2019.*

Tax Deduction for Employers Hiring Women Returning to the Workforce

The *Income Tax (Deduction for Employment of Approved Individual) Rules 2026* have been gazetted to grant a further tax deduction to qualifying employers who employ approved individuals.

The salient points of the above Rules include:-

i. Qualifying Employer

- "**Qualifying employer**" means any person who employs the approved individual excluding:-
  - a company that is controlled, directly or indirectly, by the approved individual;
  - a sole proprietorship; or
  - a relative of the approved individual, including a parent or parent-in-law, a child, stepchild or legally adopted child, a brother or sister, a grandparent or grandchild, or a spouse.
- The qualifying employer must comply with the conditions imposed by the Minister and compliance with the prescribed conditions must be verified by Talent Corp.

ii. Approved Individual

- "**Approval individual**" has the same meaning as prescribed under the Income Tax (Income of Approved Individual) (Women Returning to Work After Ceasing from Employment Temporarily) (Exemption) Order 2026.

iii. Further Tax Deduction

- A qualifying employer is entitled to a further tax deduction subject to the following:-
  - A further deduction equivalent to 50% of the remuneration paid to an approved individual; and
  - The further deduction shall be for a period of not exceeding 12 consecutive months.

iv. Effective Period

- The above Rules shall have effect from the YA 2025 to YA 2027.

Tax Deduction for the Implementation of Flexible Work Arrangements

Following the 2025 Budget announcement, the *Income Tax (Deduction for the Costs of Implementation of Flexible Work Arrangements) Rules 2026* have been gazetted to provide a 50% further deduction on the expenditure incurred by the employer in implementing flexible work arrangements ["FWA"]. The further deduction is available in respect of expenditure incurred on cost of capacity development (including training costs for employees) and cost for acquisition of software.

The salient points of the Rules include:-

- FWA refers to arrangements that provide flexibility in the place of work, working hours or the number of hours worked.
- The cost of capacity development means:-
  - fee for training course or programme;
  - fee for internal trainer;
  - cost for training materials;
  - cost for rental of training space;
  - fee for examination; and
  - travelling expenses in relation to training conducted incurred by employees and trainers:-
    - cost of transportation equivalent to economy class air fare for international travel; or in relation to travelling within Malaysia, equivalent to economy class air fare or the actual cost incurred if the travelling is by land or water transport;
    - accommodation cost not exceeding RM300 per day; and
    - meal costs not exceeding RM150 per day.
- The total expenditure eligible for the 50% further deduction is capped at RM500,000 and may only be claimed once under this Rules.
- The implementation of the FWA must be verified by Talent Corp and the applications must be received by Talent Corp from 1st January 2025 to 31st December 2027.
- The above Rules shall have effect from the YA 2025.

Tax Deduction for Company Renting Non-Commercial Electric Motor Vehicles

Following the Budget 2023 (Retabled) announcement, the *Income Tax (Deduction for Rental Payments)(Electric Motor Vehicles) Rules 2026* have been gazetted to provide a tax deduction to companies that incur expenditure on the rental of electric motor vehicles for business purposes.

The salient points of the above Rules include:-

- A tax deduction is available to a company incorporated under the CA 2016 and resident in Malaysia in respect of expenditure incurred on the rental of non-commercial electric motor vehicles for its business.

- Qualifying expenditure includes rental payments for the electric motor vehicles, as well as insurance payments and processing fees relating to the process of rental of the electric motor vehicles.

- The maximum deduction allowable in a year of assessment and subsequent years of assessment shall not in the aggregate exceed RM300,000.

- The electric motor vehicle must be new, must not have been previously used by any person for any purpose prior to being rented by the company and must not be licensed for the commercial carriage of goods or passengers.

- Where the DGIR is of the opinion that the expenditure claimed exceeds the amount that would reasonably be expected to be incurred in the ordinary course of business, the excess amount may be disallowed.

- The above Rules shall have effect from the YA 2023 to YA 2027.

Tax Deduction for Employers Providing Care Allowance for Parents and Grandparents

Following the Budget 2025 announcement, the *Income Tax (Deduction for Payment of Care Allowance of Parents and Grandparents) Rules 2026* have been gazetted to grant a further tax deduction to employers who provide care allowances to their employees for the care of their parents, adoptive parents or grandparents.

The salient points of the above Rules include:-

- An employer resident in Malaysia is entitled to a further tax deduction on expenses incurred to his employee in relation to care allowance for care allowance for parents, adoptive parents or grandparents.

- Where the amount of expenses claimed exceeds the amount that would reasonably be expected to be incurred in the ordinary course of business, the excess may be disallowed.

- Where two basis periods overlap, the common period shall be deemed to fall in the first basis period only for the purposes of claiming the deduction.

- The above Rules shall have effect from the YA 2025.

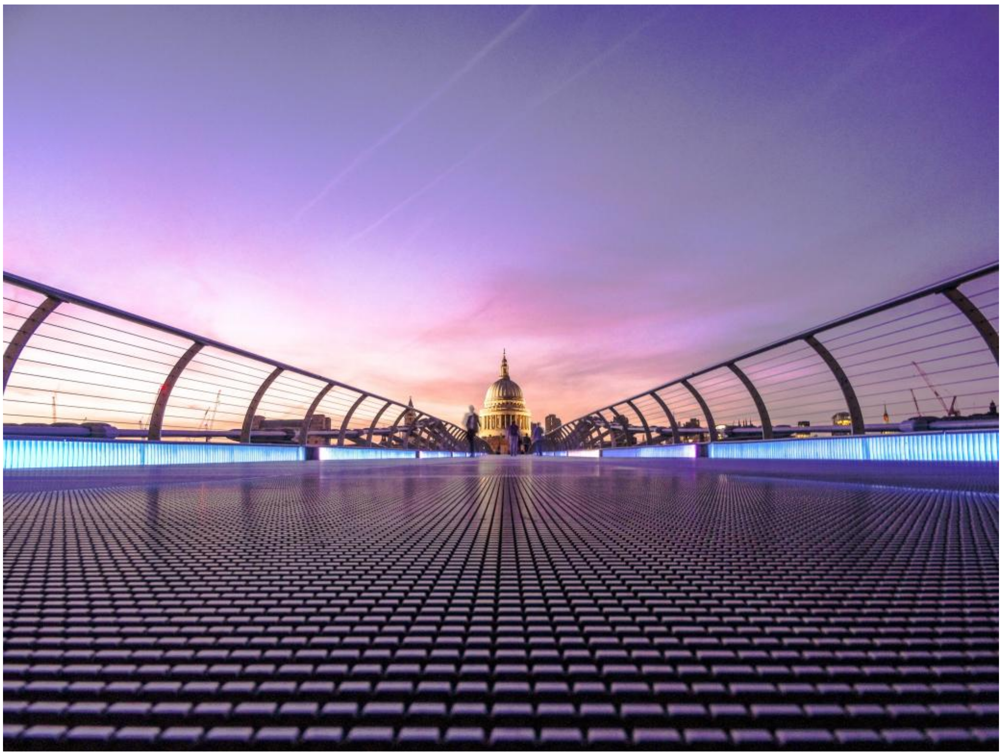
Extension of the Special Stamp Duty Voluntary Disclosure Programme 2026

The Stamp Duty Special Voluntary Disclosure Programme 2026 ["SVDP 2026"], which was initially implemented for the period from 1st January 2026 to 30th June 2026, has been extended until 31st December 2026.

The extension was announced by the IRB through its *Media Release* dated 26th June 2026. The extension does not alter the eligibility conditions of the programme.

Taxpayers are eligible for a remission of stamp duty penalties provided that the relevant instruments are stamped and the corresponding stamp duty is paid within the period from 1st January 2026 to 31st December 2026. Accordingly, taxpayers who satisfy the prescribed conditions within the extended period will remain eligible for the penalty remission under the programme.

Note: *For further details on the initial implemented SVDP 2026, kindly refer to our Tax Flash – Stamp Duty Updates - April 2026 issue.*



Guide on Refund, Drawback and Review of Sales Tax and Service Tax

The RMCD has published the *Guide on Refund, Drawback and Review of Sales Tax and Service Tax* dated 15th June 2026 (in *Bahasa Malaysia*). The salient points extracted from the guide are as follows:-

- The following appendices (in *Bahasa Malaysia*) were provided:-
  - *Appendix 1 – Checklist*;
  - *Appendix 2 – Guide to Complete Form JKDM No. 2*;
  - *Appendix 3 – Statement of Claim for Refund of Sales Tax or Service Tax in relation to Bad Debts under Section 35 of the Service Tax Act 2018 ["SETA 2018"] and Section 36 of the Sales Tax Act 2018 ["SATA 2018"]*;
  - *Appendix 4 – Statement of Claim for Refund of Sales Tax or Service Tax under Section 38(1)(a) of the SETA 2018 and Section 39(1)(a) of the SATA 2018*;
  - *Appendix J – Confirmation of Delivery and Receipt of Goods for Claim of Duty Refund under Section 93 of the Customs Act 1967 or Section 40 of the SATA 2018 or Section 19 of the Excise Act 1976*; and
  - *Form JKDM No. 2*.

- Application for Refund under Section 34(3)(b) of the SETA 2018 by Foreign Embassies and International Organisations
  - The application procedure is specified in PR No. 2/2025 – Claim for Refund of Service Tax Under Section 34(3)(B) of the SETA 2018 By Foreign Representatives and International Organisations.

- Application for Refund under Section 34(3)(b) of the SETA 2018 by Local Digital Service Providers
  - Pursuant to Service Tax Policy No. 3/2020, a registered person may apply for a refund of the remaining service tax balance that cannot be offset in the SST-02 return due to there being no service tax payable for the relevant taxable period in accordance with Section 34A(2) of the SETA 2018.
  - The registered person may submit an application to the RMCD using Form JKDM No. 2 to claim a refund of service tax paid on digital services, subject to the conditions prescribed in Paragraph 2 of Service Tax Policy No. 3/2020.

- Application for Refund in Relation to Bad Debts Under Section 36 of the SATA 2018 And Section 35 of the SETA 2018
  - The application must be submitted to *Cawangan Perakaunan Hasil, Bahagian Perkhidmatan Teknik* of the relevant controlling state/station together with the relevant supporting documents listed in Paragraph 22 of the guide.
  - The applicant must demonstrate that reasonable recovery efforts have been undertaken, including the following:-
    - A reminder letter sent to the debtor by registered post;
    - A formal notice of demand issued through a legal service provider or evidence of any legal action taken by the applicant against his debtor; and
    - Evidence that the debt has been written off in the applicant's accounts.

- Application For Refund of Sales Tax, Service Tax, Surcharge, Penalty, etc., Overpaid or Erroneously Paid Under Section 39(1)(a) of the SATA 2018 and Section 38(1)(a) of the SETA 2018
  - The application must be submitted to *Cawangan Perakaunan Hasil, Bahagian Perkhidmatan Teknik* of the relevant controlling state/station together with the relevant supporting documents as listed in Paragraph 28 of the guide.

- Application for Refund After the Expiry of the Prescribed Time Frame
  - Applications involving refund claims that have exceeded the prescribed time frame in the following circumstances must be submitted by the applicant directly to the Tax Division of the MOF:-
    - Claims for a refund of tax relating to bad debts under Section 36(3) of the SATA 2018 and Section 35(3) of the SETA 2018, where the claim is made more than 6 years after the date on which the tax was paid; or
    - Claims for a refund of tax, etc. overpaid or erroneously paid under Section 39(2) of the SATA 2018 and Section 38(2) of the SETA 2018, where the claim is made more than 1 year after the date on which the tax was paid.

- Review of Decisions Relating to Refund and Drawback Applications
  - A company that is dissatisfied with any decision relating to refund or drawback application may submit an application for review to the DGCE within 30 days, provided that no appeal in respect of the same decision has been lodged with the Customs Appeal Tribunal or a court of law.
  - The application for review must be made via Form JKDM No. 4 and submitted to *Unit Semakan Semula, Cawangan Pendakwaan, ABT dan Rayuan, Bahagian Penguatkuasaan*, the Headquarters of the RMCD.
  - Once the claim has been approved, the claimant should liaise with the Customs station where the original application was submitted to make the necessary refund arrangements.

- Extension of the Export Period for Goods Entitled to Sales Tax Drawback Claims
    - A company may apply for an extension of the export period to *Cawangan Kawalan Kemudahan Bahagian (CKK) Bahagian CDN* of the relevant controlling state/station before the expiry of the original export deadline.
    - The following documents must be submitted for processing purposes:-
        - An application letter stating the reason and justification for the requested extension of the export period; and
        - Any other relevant supporting documents, where necessary.
    - The extension granted is limited to a maximum of three (3) months.
    - Any application for a further extension must be submitted to *CKK, Bahagian CDN*, the Headquarters of the RMCD before the expiry of the previously extension period. The following documents must be submitted for processing purposes:-
        - An application letter stating the reasons and justification for the further extension of the export period;
        - A copy of the approval letter issued by *CKK, Bahagian CDN* of the relevant controlling state/station in respect of the previous extension of the export period; and
        - Any other relevant supporting documents, where necessary.

Note: *For further details, kindly refer to our Tax Flash – June 2021 issue.*

Service Tax Policy No. 2/2026 – Service Tax Treatment on Construction Works Services Carried Out on Completed Residential Buildings

The RMCD has published the *Service Tax Policy No. 2/2026 – Service Tax Treatment on Construction Works Services Carried Out on Completed Residential Buildings* dated 18th June 2026. The salient points extracted from the policy are as follows:-

- Pending the gazettement of the relevant amendments to the subsidiary legislation, the MOF has granted an exemption from the imposition and payment of service tax on construction works services carried out on completed residential buildings, subject to the fulfilment of the following conditions:-
  - The service provider must be registered for service tax under Group L;
  - The service provider of the construction works services must obtain the following documents from the occupant(s) or owner(s) of the residential buildings:-
    - A strata title or individual title;
    - A Sale and Purchase Agreement entered into under the Housing Development (Control and Licensing) Act 1966;
    - Utility bills relating to the residential building;
    - Building plans approved by the relevant local authority; or
    - Any other recognised documents to prove that the building is a residential building;
  - The name of the service recipient and address of the residential building must be stated on the invoice;
  - This exemption may be applied directly by the service provider on a self-compliance basis; and
  - The service provider must comply with any public rulings issued by the DGCE.

- A registered person who has charged and collected service tax on construction works services on completed residential buildings may claim a refund of the service tax that has been declared and paid to the RMCD, subject to the following conditions:-
  - The amount of service tax claims must have been declared in the SST-02 return and paid to the RMCD;
  - The refund claim must be submitted on or before 30th June 2026; and
  - The claim must be made by the construction works service provider only after the full amount of service tax collected has been refunded to the recipient of the construction works services.

Sales Tax Policy No. 1/2026 (Amendment No. 1) – Sales Tax Exemption on Raw Materials Used in the Manufacture of Animal Feed, Fertilisers or Pesticides

The RMCD has published the *Sales Tax Policy No. 1/2026 (Amendment No. 1) – Sales Tax Exemption on Raw Materials Used in the Manufacture of Animal Feed, Fertilisers or Pesticides* dated 22nd June 2026.

Note: *For further details, kindly refer to our Tax Flash – February 2026 issue.*

Service Tax Policy No. 3/2026 – Service Tax Treatment on Maintenance Charges and Sinking Fund for Non-Residential Premises/Buildings Charged by Joint Management Bodies or Management Corporations

The RMCD has published the *Service Tax Policy No. 3/2026 – Service Tax Treatment on Maintenance Charges and Sinking Fund for Non-Residential Premises/Buildings Charged by Joint Management Bodies ["JMB"] or Management Corporations ["MC"]* dated 24th June 2026.

The salient points extracted from the policy are as follows:-

- The Minister of Finance has determined that maintenance or repair services, including maintenance management services relating to premises/buildings used for **non-residential purposes** and provided by any JMB or MC, are **not taxable services**.
- This ministerial exemption takes effect from 1st July 2026 and remains effective until the relevant amendments to the Service Tax Regulations 2018 are gazetted.

Service Tax Policy No. 1/2025 (Amendment No. 5) – Financial Services

The RMCD has published the *Service Tax Policy No. 1/2025 (Amendment No. 5) – Financial Services* dated 1st July 2026. The scope of the exemption has been expanded to include an exemption from the payment of service tax on fees or commissions charged in connection with the operation of a Transactional Investment Account effective 1st June 2026 (please refer to Item No. 14 of the policy).

Note: *For further details, kindly refer to our Tax Flash – May 2026 issue.*

MOORE Advent

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